

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (8/29):
BUTTER: Grade AA closed at \$1.1350. The weekly average for Grade AA is \$1.1367 (-.0100).

CHEESE: Barrels closed at \$1.5675 and blocks at \$1.6000. The weekly average for barrels is \$1.5675 (N.C.) and blocks, \$1.6000 (N.C.).

BUTTER: Butter markets are generally steady with prices adjusting lower. Churning activity is lower at many plants across the country as milk and cream supplies tighten. Late last week, USDA announced that 844,669 pounds of government owned bulk butter was sold back to the trade at prices ranging \$1.1700 – 1.1750 per pound. Early this week, USDA announced that they are offering for sale 2,113,917 pounds of government owned butter for unrestricted use. Bids are due by September 3. Overall, commercial butter stocks continue to run heavier than last year at this time, although fresh butter supplies are often insufficient to meet demand, thus inventoried stocks are being used. Butter demand is fair at best. Most orders continue to be placed for short term or immediate needs. Food service orders, especially from resort and vacation areas, have been mixed for the last week to ten days as they prepare for the upcoming holiday weekend and the unofficial end of the summer vacation season.

CHEESE: The cheese market is fully steady. Current cheese supplies are tight to short and held with confidence. Many buyers are trying to limit purchases to keep from building additional inventory. Milk and cheese production continues to be reduced by summer weather along with increased bottler demand. During the week ending August 29, CCC cancelled 58,091 pounds of previous offered Western barrels.

FLUID MILK: Milk receipts are declining in the Southeast, Northeast, and Midwest. Fluid intakes are mostly steady in New Mexico and Arizona. In California, Utah, and Idaho, milk production is steady to lower. Milk supplies are tight to short of needs in parts of the country. Florida imported a larger volume of supplemental fluid volumes from other areas of the country again this week. The reopening of additional schools, sharply higher September Class I prices, and lower milk intakes have reduced volumes available for

manufacturing. The Labor Day holiday weekend is expected to be a non-event for most operations outside of some schedule adjustments. Any extra volumes are expected to be easily absorbed by bottlers or manufacturers. Most manufacturers are operating on lighter than desired schedules. Cream demand remains good despite increased volumes generated by bottlers.

DRY PRODUCTS: The NDM market is steady. Production is lower seasonally as additional fluid volumes move into Class I accounts. Supplies of NDM packaged in totes remain tight with some bagged volumes still clearing to CCC from the West. Most other powder markets are firm due to generally stronger demand and reduced production. Whey prices are higher with production steady to lower. Some buyers are trying to acquire additional supplies to hedge against possibly higher prices. Sellers are holding inventory with more confidence. The WPC market is firm with the best interest from edible users. Lactose supplies remain tight with good interest from pharmaceutical and edible users. Buttermilk is firm though prices are nominal. Reduced churning and good condensed buttermilk interest is keeping drying to a minimum.

CCC: During the week of August 25 - 29, CCC net adjusted purchases total 7,400,022 pounds of Western nonfortified NDM and the cancellation of 58,091 pounds of previously offered Western barrel cheese.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first 6 months of 2003 totals 84.2 billion pounds, 1.6% more than the same period in 2002. Comparing disappearance levels with year earlier levels: butter is +1.3%, American cheese, -1.3%, Other cheese, +1.4%, NDM, -5.5%, and fluid milk products, +0.4%. During April – June 2003, commercial disappearance totaled 43.0 billion pounds, up 2.0% from the same quarter in 2002.

CONSUMER PRICE INDEX (BLS): The July CPI for all food is 179.7, up 2.1% from July 2002. The dairy products index at 164.7, is off 1.7% from a year ago. The following are the July to July changes for selected products: fresh whole milk -1.6%, cheese -1.1%, and butter -6.3%.

****SPECIAL THIS ISSUE****

BUTTER AND CLASS III & IV MILK FUTURES (PAGE 7)

INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)

SEPTEMBER FEDERAL ORDER ADVANCE PRICES (PAGE 9)

CONSUMER PRICE INDEX (PAGE 10)

JANUARY – JUNE COMMERCIAL DISAPPEARANCE (PAGE 10)

SEPTEMBER ANNOUNCED COOPERATIVE CLASS I PRICES (PAGE 11)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY AUGUST 25	TUESDAY AUGUST 26	WEDNESDAY AUGUST 27	THURSDAY AUGUST 28	FRIDAY AUGUST 29	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	(N.C.)	\$1.5675 (N.C.)
40# BLOCKS	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	(N.C.)	\$1.6000 (N.C.)
BUTTER							
GRADE AA	\$1.1400 (N.C.)	-----	\$1.1350 (-.0050)	-----	\$1.1350 (N.C.)	(-.0050)	\$1.1367 (-.0100)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, AUGUST 25, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

BUTTER — SALES: 4 CARS GRADE AA @ \$1.1400; BIDS UNFILLED: 8 CARS GRADE AA: 2 @ \$1.1350, 2 @ \$1.1325, 3 @ \$1.1300, 1 @ \$1.1200; OFFERS UNCOVERED: NONE

TUESDAY, AUGUST 26, 2003

CHEESE — SALES: 6 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

WEDNESDAY, AUGUST 27, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

BUTTER — SALES: 7 CARS GRADE AA: 2 @ \$1.1350, 2 @ \$1.1325, 1 @ \$1.1300, 2 @ \$1.1350; BIDS UNFILLED: 4 CARS GRADE AA: 1 @ \$1.1325, 1 @ \$1.1300, 1 @ \$1.1200, 1 @ \$1.1100; OFFERS UNCOVERED: NONE

THURSDAY, AUGUST 28, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS

FRIDAY, AUGUST 29, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

BUTTER — SALES: 9 CARS GRADE AA: 6 @ \$1.1300, 1 @ \$1.1325, 2 @ \$1.1350; BIDS UNFILLED: 15 CARS GRADE AA: 3 @ \$1.1350, 4 @ \$1.1325, 2 @ \$1.1300, 1 @ \$1.1275, 2 @ \$1.1250, 2 @ \$1.1200, 1 @ \$1.1050; OFFERS UNCOVERED: NONE

BUTTER MARKETS**NORTHEAST**

The market tone is steady. The CME cash price (through 8/25) held steady at \$1.1400. Churning activity in the East was lower last week as some butter makers were down for maintenance and employee vacations last week. Output is getting back to normal, but surplus milk and excess cream volumes are tight. Demand for packaged butter remains just fair. Food service accounts are slowing as we are in the last week of the summer vacation season and resort areas businesses start to see a slow down in customers. CCC announced that it has sold back 844,669 lbs. of bulk butter at prices ranging \$1.1700-1.1750 under invitation 007 to announcement DSC1. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

CENTRAL

At midweek, the CME cash price edged slightly lower to \$1.1350. This is the lowest the cash price has been since late June. Producers and handlers have mixed opinions as to why prices are declining at this time. Most indicate that churning is lighter due to tighter milk and cream supplies, although many feel that inventories are carrying the load, thus most are not overly concerned about supplies in relationship to demand. Late last week, USDA announced that 844,669 pounds of government owned bulk butter was sold back to the trade at prices ranging \$1.1700 – 1.1750 per pound. Early this week, USDA announced that they are offering for sale 2,113,917 pounds of government owned butter for unrestricted use. Bids are due by September 3. These offerings, current inventories, and projected production during upcoming

weeks have many producers and handlers comfortable with their supply situation as the fall and upcoming holidays near. Current demand is fair with most buyers placing orders for short term needs. Food service orders have been more active in recent weeks with many vacation and resort areas preparing for the upcoming Labor Day holiday and the unofficial end to the summer vacation season. After the holiday, food service orders are expected to decline. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

WEST

Butter production remains on the light side because of the stress on the milking herd limiting milk receipts over much of the region and reducing the amount of butterfat in the milk. Demand for cream for high fat product production is also limiting the availability for the churn. Print orders are only fair for August. Bulk sales are improving as buyers look ahead to fall needs and are willing to acquire some additional stocks at this time. Contacts are wondering what impact the sellback of government owned butter is having on the current market. The assumption is that it has weakened the market a few cents. U.S. Cold Storage holdings of butter at the end of July total 275.3 million pounds, down 16.7 million pounds or 5.7% from June. Stocks remain heavy compared to last year with an increase of 30.0 million pounds or 12.2% noted. Weekly CME butter stocks declined by 5.8 million pounds to stand at 181 million pounds. Current prices for bulk butter range from 2 to 5 cents under the market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	CHEESE 40# BLOCKS	BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
AUGUST 23	1.5713	1.5761	0.8108	1.1373	0.1653
	6,441,861	9,809,211	22,762,758	3,397,754	12,460,007

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are lower on process items, unchanged on the balance. The market tone is little changed from the past two weeks. Through August 25, the CME price for 40# blocks has held at \$1.6000 for eighteen consecutive sessions. Cheese output is lighter in the East as milk supplies tighten. After the Class I milk price announcement, this week has seen a sharply improved call for milk from bottlers. Also, last week's blackout did have a big impact on some cheese plants in New York. Demand for cheese is about steady, but some urban outlets are placing slightly heavier orders as shopping habits are expected to get back to normal, school-year levels. Stocks of cheese are reported as adequate for current needs.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6650-2.1600
Cheddar Single Daisies	:	1.6225-2.0875
Cheddar 40# Block	:	1.7400-1.9875
Process 5# Loaf	:	1.7775-1.9800
Process 5# Sliced	:	1.7975-2.0475
Muenster	:	1.8375-2.0300
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is fully steady. Many traders feel short term cash cheese prices could move higher though others feel/hope for weakness. Current natural demand is steady though mainly just for replacing depleted stocks. Few buyers are interested in accumulating inventory at current prices. Current cheese offerings are tight with natural varieties generally tighter than barrels. Slight improvement in aged cheddar interest is noted. Process cheese movement is steady to generally lighter seasonally. Orders from summer vacation areas are light as most expect slow movement after the holiday weekend. The reopening of schools, sharply higher September Class I prices, and replacing perishable dairy products lost in the big power outage continue to squeeze the milk supplies available for cheese manufacturing. However, in at least one instance, the slow return of power/water issues did cause several loads of milk to move into cheese production last week. Hot summer weather has also reduced milk receipts.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.7475-1.9100
Brick And/Or Muenster 5#	:	1.9600-2.2625
Cheddar 40# Block	:	1.8500-2.1150
Monterey Jack 10#	:	2.1150-2.2200
Blue 5#	:	2.3550-2.6500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8900-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
08/25/03	90,189	: 132,930
08/01/03	97,354	: 137,239
CHANGE	-7,165	: -4,309
% CHANGE	-7	: -3

WEST

Process cheese prices declined while natural and Swiss cheese held steady following trading at the CME in recent weeks. Buyers seem to be somewhat unsure as to what strategy to employ in acquiring cheese supplies at this time. Offerings of cheese remain light, but buyers still feel that prices may soften in the near future. Sellers are holding supplies with confidence. The two sides seem to be looking at different sets of market fundamentals in coming to their conclusions. Less under grade cheese seems to be coming to the market and there is very little aged cheese in the pipelines. U.S. Cold Storage figures for American cheese at the end of July total 550.4 million pounds, up slightly from June but down about 23 million pounds (4.0%) from last year. The trade viewed these numbers as supportive of the market. Swiss stocks at the end of July total 29.6 million pounds, up 88% or 13.8 million pounds from a year ago.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.7175-1.9775
Cheddar 40# Block	:	1.7300-2.0800
Cheddar 10# Cuts	:	1.9100-2.1300
Monterey Jack 10#	:	1.9200-2.0800
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

FOREIGN

Prices and the market tone are unchanged. Demand may be improving slightly now that shopping habits get back to typical school-year patterns. Distributors are a little more active getting orders out ahead of Labor Day and next week's short work-week. Stocks are adequate to cover current needs. The Euro has shown a little weakness against the Dollar, which could help importers.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.7200	: 1.9600-3.4500
Gorgonzola	: 3.6900-5.9400	: 2.4775-2.4900
Parmesan (Italy)	: TFEWR	: 3.3700-3.4600
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.9675-2.1950
Romano (Cows Milk)	: -0-	: 3.1575-5.3300
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.7900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-2.9900	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	236	0	199	0	94	0
SOUTHEAST STATES	0	0	10	0	0	0

EDITOR'S NOTE: Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

The base price for Class I milk for September 2003 is \$13.71 per cwt., up \$2.74 from August. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for September is \$6.69, up \$0.05 from August. Milk production continues to decline at varying rates throughout the region. High temperatures and humidity plague the Southeast and Middle Atlantic areas. Milk output continues to decline from Florida back through the Plains States. Florida's need for milk continues to grow and the volumes imported are dramatically higher than a year ago at this time. Handlers in other Southeastern states are also looking for milk and so far, they have been unsuccessful in their search for extra milk. In the Northeast, the milk flow is about steady, but plant receipts are still easing lower. The demand for Class I milk is exceptionally good. This is creating a lot of opportunities and problems. Suppliers are able to easily move their milk at a premium. The combination of the reopening of schools and the \$2.74 jump in September's Class I milk price is creating a sharp jump in demand. Bottlers want to package as much milk as they can before new prices go into effect. This is typical when Class I milk prices jump, but it may also lead to a slower demand for milk the first few days of September when bottlers clear this week's inventory. Also, reports indicate that Canada is not fully recovered from the blackout and milk buyers are looking for U.S. milk to supplement their own supplies. Contacts at manufacturing plants report that receipts are down this week. Most are either not getting the milk or selling what they have to meet Class I needs. Operating schedules are light and often just to meet contractual agreements. The condensed skim market is little changed, but lighter milk receipts at most butter/powder plants are reducing offerings. The fluid cream market is little changed. Supplies are very tight and demand is good. With the big draw for Class I milk, regular suppliers of cream do not have any cream to offer at this time. Multiples are commonly in the 150's f.o.b. and a few were noted above 160. Bids to buy on the Internet-based website were generally going unfilled, regardless of multiples. Buyers don't like these higher numbers, but they do need the cream and, relatively speaking, the CME butter price is quite low. Historically, when milk and cream are as tight as they are, the butter price would be increasing, not decreasing as we have seen in the past few weeks. Ice cream production is steady to lighter. Sales of soft serve and hard ice cream are about steady, but Labor Day does mark the "end of summer" and ice cream sales tend to ease after the holiday. Churning activity is limited, but some plants are back on line after being down last week for maintenance.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6054-1.8577
DELIVERED EQUIVALENT ATLANTA	-	1.6273-1.8691 M 1.7200-1.8233
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5824-1.7430

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8500- .9300
NORTHEAST- CLASS III - SPOT PRICES	- 1.0300-1.1500

M I D W E S T

Milk supplies are tight to short of needs. Handlers have had problems filling bottler orders and meeting desired schedules. Between power outage related product replacements last week, additional schools reopening, sharply higher September Class I prices, and heat reduced milk receipts; handlers are unable to meet bottler orders. Some retailers are also running fluid features. Cheese plant operators are also reluctant to give up any extra volumes due to the inverted relationship between Class I and Class III prices. Milk shipments to the South continue. Manufacturing plant schedules are lighter due to increased Class I needs and reduced

farm milk intakes. On a very limited test, reported spot manufacturing prices range from around \$2.25 to \$2.50 over class. Cream demand remains strong. At least one ice cream manufacturing operation increased their production schedule to meet with better orders after a sluggish early month. Ice cream manufacturers are trying to just produce fill-in orders yet reduce inventory as their main season winds down. Condensed skim interest is generally good from Class II accounts though Class III demand is almost non-existent due to the high price (\$1.20+) compared to NDM. Hot daytime temperature (upper 80's to 100's) depending on location, and humidity though often cooler nights (in the upper 50's and 60's) still helped reduce milk receipts on most routes. Precipitation continues to be badly needed for crops, lawns, and pastures with brown the common color. A few reports of producers chopping silo corn to reduce yield loss and corn already drying down for harvest are noted.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUGUST 21 - 27	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 51.00	\$ 35.00- 39.50
REPLACEMENT HEIFER CALVES	\$340.00-550.00	\$480.00-600.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	AUGUST 21 - 27	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.00- 53.00	\$ 34.00- 44.00

W E S T

July 2003 POOL RECEIPTS of milk in CALIFORNIA total 2.941 billion pounds, 1.5% lower than the prior year. Year to date pool receipts are running 2.1% higher than 2002. The July blend price, at a fat test of 3.54%, is \$11.55, \$1.52 higher than June and \$1.44 above July 2002. The percentage of receipts used in Class 1 products is 17.99%. The July quota price is \$12.72 and the over quota price is \$11.02. These prices are \$1.55 higher than June and \$1.44 more than a year earlier. CALIFORNIA milk production is holding steady to lower across the state. Bottled milk interest is higher as milk is moving to school lunch programs. There is also a strong push from buyers to stock up ahead of Class 1 milk price increases on September 1. Areas in the far south are being affected by hot weather and milk is declining. Volumes are lower than needs and some plants are having more down time than is desired. In the Central Valley, milk production is holding mostly steady after a recent, gradual increase. Some plants are seeing milk levels marginally below where they began to decline at the end of July. In the northern milk producing areas, supplies are lower and below expectations. The cows are not producing as well as had been anticipated. Milk output in ARIZONA has been impacted by a variety of weather conditions. The hot and humid weather patterns dropped milk, but rains and subsequent cooler temperatures brought relief and localized increases in milk. Flooding has occurred in some areas. Demand from bottlers is good for school suppliers. Milk production in NEW MEXICO is mostly steady with recent weeks. Milk continues to leave the state to fill needs of other states with heavy volumes moving to the Southeast. Western CREAM prices are holding steady - despite some declines in butter prices - to lower. The CME butter price was \$1.1350 on 8/27, dropping 1.5 cents from a week ago. There is more cream available from Western sources as milk volumes have increased and more bottled milk is standardized. Some western plants are seeing higher fat tests on incoming milk. Cream demand is better from the Midwest and East to fill in for local shortages. Western cream multiples range from 116 to 135, FOB, depending on class usage and basing point. Coastal regions of OREGON and WASHINGTON are warmer than normal and dry. It is not really hot enough to stress the cows all that much, but they just seem to be getting tired according to some contacts. Hay quality is not all that good and prices are holding steady. Producers are concerned that any gains in milk prices may be offset by higher feed prices. Heifer prices have pushed back above \$1500 on average which may indicate expansion plans based on improving milk prices. Milk supplies in UTAH and IDAHO range from even to down slightly. Weather conditions are more moderate and nights are cooling off to seasonal levels. Some rain was noted this past week even causing some flooding in southern areas of the region. Milk output is not rebounding all that rapidly with the improving conditions. Heifer prices have increased as much as \$200 at two sales in the region over the past three weeks. Demand for heifers is improving probably related to the higher milk prices. Water supplies generally look adequate to finish off the current cutting of hay. Some corn silage is being cut in areas that are running out of water.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a steady market. Some producers are reducing their prices in response to buyer resistance. Sales are generally good into ice cream and cheese operations. Milk supplies are reduced in response to warmer temperatures and heavier milk movement into Class I facilities. Consequently, production of low heat NDM is lower. High heat NDM is produced only on an as needed basis. No sales are reported to the CCC for the current week. Supplies of NDM are more readily available in the West. Some NDM from the cheese exchange is also available for the good interest. Condensed skim is available only for contractual users.

EAST: Eastern prices are unchanged and the market tone remains firm. Milk supplies are extremely tight this week. A combination of school lunch needs throughout the region and the big price jump in September's Class I milk price has pulled milk away from manufacturing channels. Some dryers were only operating a few shifts this week and others did not operate at all. Plant stocks are light and spot needs are often being filled via the resale market. Reports of NDM coming back to the market from CCC exchange programs are more common. Prices for this powder are competitive with current conditions. However, the exact volumes and prices are not always made available. The first stage of the 2003/04 DEIP allocation for NDM (22,733 MT) was filled in less than a week.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8200 - .8700 MOSTLY: .8250 - .8600
 HIGHHEAT: .8625 - .9450

NONFAT DRY MILK - WEST

Low/medium heat NDM prices are unchanged as the market tone is steady. Sales volumes are flat with recent weeks as most buyers have established patterns. Despite some seasonal production declines and contractual sales that have tightened the market supplies, there are mostly adequate volumes of powder to fill orders. There have been some opportunities for higher sales prices from producers, but buyers resist. Product in totes is still tight. The entire first stage (22,733 MT of NDM) under of the DEIP allocation announced on August 15th had bids accepted last week. During the week of August 8 - 22, CCC purchased 7.3 million pounds of NDM from the West. There were no price changes reported for Western high heat NDM. There are few new developments in the market as supplies and demand are in pretty decent balance. Improved interest from seasonal accounts is expected in the near future.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .8875 MOSTLY: .8000 - .8150
 HIGHHEAT: .8300 - .8600

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 22	\$.8035	11,836,308	2,211,141
August 15	\$.8012	14,963,758	3,101,923

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a firm market. Cream supplies are tight with spot movement occurring predominantly into Class II facilities. Therefore, churn activity is very light. Condensed buttermilk produced is clearing readily into Class II facilities. Most dryers are not operational with production possibly resuming in late September. Limited supplies are available from resellers and manufacturers. Spot demand is fair at best with higher prices eroding some interest.

F.O.B. CENTRAL: .8500 - .9000

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are sharply higher and the market tone remains firm. Eastern prices are nominal. Producers report that some churns are back on line after a down week for maintenance, but operating schedules are being greatly reduced by the volumes of milk and cream. Little or no excess cream is available and surplus milk supplies are extremely tight this week. There is little or no drying taking place and producer stocks are tight. More LTL sales were noted. Demand is good.

F.O.B. NORTHEAST: .7625 - .8000
 DELVDSOUTHEAST: .8000 - .8500

DRY BUTTERMILK - WEST

Prices for dry buttermilk in the West are slightly higher and nominal. Spot trading is very limited in the region due to the cumulative effects of less butter produced this summer and market clearing demand. Sales of condensed buttermilk are precluding drying at several plants. Demand has outpaced supplies and there is not much available at the producer level.

F.O.B. WEST: .8000 - .8500 MOSTLY: .8150 - .8500

DRY WHOLE MILK - NATIONAL

Prices are mostly steady to lower within the range and nominal. The price decreases were a result of the declines in the CME butter price. Production levels are light and geared to meeting contracts. Also, the tight supply of surplus milk is having an impact on drying schedules in the Eastern half of the country. Plant stocks are light.

F.O.B. PRODUCING PLANT: 1.0500 - 1.1800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 THROUGH AUGUST 22, 2003
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	22,733	MT (50,117,171 LBS)
CHANGE	--	22,733	MT (50,117,171 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:
 NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to higher on a steady to firm market. Some multiple load offers are appearing into brokerage operations and export markets. Offers to domestic end-users are generally higher. Reduced milk supplies are decreasing available volumes of condensed whey into some dryers. Overall production is generally unchanged. Movement is mostly contractual with some users requesting additional loads. Increased interest is noted by milk replacer operations that are reporting improved end-product demand. Traders speculate a market peak in mid-September.

F.O.B. CENTRAL: .1700 - .1800 MOSTLY: .1700 - .1750

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices continue to climb and the market tone remains firm. Tighter milk supplies this week and a desire to better manage cheese inventories saw some cheese plants reduce output. Dry whey stocks are very tight and most producers are limiting sales to contracted customers. A few are having some difficulty meeting delivery schedules and there were discussions about delaying shipments due to the light output. Spot needs were often filled via the resale market where premiums are increasing. Most traders do have some inventory, but they too are holding stocks with confidence and will need to meet the fall needs of their regular accounts. There is some surprise that prices continue their gradual rate of increase.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1750 - .1900
DELVD SOUTHEAST: .1950 - .2100

DRY WHEY - WEST

Prices range from steady to fractionally higher for Western whey powder. Domestic buyers are generally taking regular volumes of whey powder, but some are looking to acquire additional supplies before prices possibly move higher again. Export sales are generally steady, but some price resistance is noted with the threat of buying powder from other suppliers being tossed around. Stocks of powder are generally on the light side with some suppliers holding any powder stocks with confidence. Powder production is about steady with some operations noted higher and others lower.

NONHYGROSCOPIC: .1650 - .2000 MOSTLY: .1700 - .1850

ANIMAL FEED WHEY - CENTRAL

Prices are higher on a firm market. Traders continue to express dismay at the limited availability of milk replacer product, especially in light of the recent hot and humid weather. Interest is good as buyers seek lower cost alternatives to higher priced Extra Grade whey markets. Early weaned pigs are trading lower while interest in veal remains strong.

F.O.B. CENTRAL:
MILK REPLACER: .1550 - .1650

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Reduced supplies and increased interest from edible buyers appear to be the main drivers of higher market prices. Some renewed interest is developing from milk replacer operations in response to seasonal trends and increased demands expected from veal operations in the first quarter. High protein product from domestic and foreign sources is available as a competitive substitute to WPC 34% into some feed operations. Edible interest for WPC 80% is improved, deterring manufacture interest in diverting operations to 34% production. Some resellers are trading aged product at a premium to the market. Canadian product is also available at competitive prices.

F.O.B. EXTRA GRADE 34% PROTEIN: .4500 - .5100 MOSTLY: .4575 - .4625

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Supplies remain tight with spot sales trending higher. Demand is best into domestic pharmaceutical and edible markets. Inquiries continue to be noted from export markets, especially Japan, China and Mexico. Some producers are running behind on their contractual commitments. Higher mesh sizes remain in the tightest position. Production is steady to lower in response to reduced milk supplies. As a result, supplies of condensed and dry permeate are also reduced. Feed lactose is difficult to find with sales reported within the range.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .1800 - .2500 MOSTLY: .1925 - .2025

CASEIN - NATIONAL

Casein prices and market conditions are basically unchanged, although the overall tone remains firm. European production is dropping off quite rapidly as milk volumes decline. Oceania production is about to resume as their new milk production season is just getting underway. Current stocks available to domestic buyers are adequate for needs, although some tightness is occurring on the acid side. On August 22, CCC extended the ninth invitation for competitive offers to purchase an undetermined quantity of nonfat dry milk from the government for the manufacture of casein or caseinate. Bids are due by September 5. Since June 2002, USDA has sold back slightly more than 4 million pounds of powder for this purpose. The most recent sale was in December at \$.2200 per pound.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.0000 - 2.1500
ACID: 2.0000 - 2.1000

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are lighter, reflecting the tight supply of surplus milk this week. Some contacts were a little surprised at how quickly milk "disappeared." Delivery schedules are about steady, but some buyers are trying to get as much as they can ahead of announced price increases. The market remains highly competitive.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00
Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume ^{1/}

Month	08/13	08/14	08/15	08/18	08/19	08/20	08/21	08/22	08/25	08/26
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
AUG 03	13.89 (5059) 10	13.82 (5039) 107	13.82 (5138) 247	13.80 (5137) 48	13.80 (5136) 47	13.80 (5133) 60	13.80 (5084) 3	13.77 (5085) 3	13.78 (5086) 92	13.77 (5087) 2
SEP 03	14.40 (5691) 61	14.31 (5705) 195	14.49 (5737) 628	13.93 (5762) 196	14.18 (5773) 85	14.18 (5804) 59	14.16 (5814) 215	14.20 (5819) 18	14.15 (5913) 169	14.10 (5916) 10
OCT 03	13.99 (4755) 56	13.90 (4789) 186	14.04 (4943) 590	13.23 (4999) 169	13.70 (5055) 125	13.74 (5073) 68	13.78 (5120) 295	13.95 (5140) 33	13.95 (5166) 47	13.85 (5185) 30
NOV 03	12.99 (3551) 60	12.90 (3582) 141	13.00 (3673) 237	12.28 (3694) 67	12.70 (3709) 40	12.70 (3716) 14	12.70 (3730) 46	12.80 (3740) 33	12.75 (3762) 46	12.69 (3771) 19
DEC 03	12.46 (2760) 36	12.35 (2779) 62	12.45 (2860) 131	11.90 (2888) 41	12.10 (2892) 23	12.15 (2897) 10	12.15 (3010) 145	12.23 (3016) 11	12.20 (3030) 23	12.09 (3032) 3
JAN 04	12.07 (986) 62	12.07 (998) 18	12.09 (1026) 59	11.50 (1043) 48	12.00 (1054) 23	11.98 (1066) 17	12.00 (1107) 50	12.01 (1116) 28	12.00 (1118) 14	11.95 (1118) 1
FEB 04	11.62 (744) 65	11.59 (754) 33	11.62 (791) 72	10.95 (788) 22	11.21 (793) 42	11.32 (807) 32	11.35 (818) 25	11.30 (832) 15	11.30 (828) 39	11.24 (801) 37
MAR 04	11.70 (628) 48	11.65 (650) 24	11.70 (701) 97	11.25 (705) 26	11.49 (713) 25	11.35 (730) 28	11.40 (735) 8	11.40 (749) 14	11.40 (758) 14	11.34 (729) 44
APR 04	11.65 (384) 48	11.60 (392) 14	11.60 (441) 78	11.10 (460) 26	11.30 (459) 10	11.30 (474) 22	11.39 (477) 6	11.39 (491) 14	11.39 (501) 15	11.34 (501) 0
MAY 04	11.55 (253) 55	11.55 (263) 14	11.55 (312) 103	11.20 (323) 17	11.30 (322) 10	11.30 (324) 41	11.39 (324) 7	11.39 (338) 14	11.39 (350) 13	11.35 (366) 17
JUN 04	11.90 (270) 40	11.90 (276) 12	11.90 (287) 34	11.50 (297) 16	11.75 (307) 10	11.75 (307) 4	11.80 (308) 1	11.80 (308) 13	11.80 (309) 11	11.74 (311) 2
JUL 04	12.25 (282) 39	12.25 (285) 9	12.25 (294) 43	11.90 (294) 7	12.00 (301) 7	12.00 (301) 0	12.00 (302) 8	12.05 (301) 2	12.05 (304) 13	12.00 (304) 0
AUG 04	12.54 (271) 37	12.55 (273) 8	12.55 (281) 43	12.25 (282) 3	12.30 (283) 1	12.30 (283) 0	12.30 (286) 6	12.30 (286) 0	12.30 (288) 13	12.30 (288) 0
SEP 04	12.69 (274) 35	12.70 (279) 11	12.69 (285) 17	12.69 (289) 6	12.70 (289) 0	12.70 (302) 16	12.75 (305) 3	12.75 (306) 1	12.75 (309) 15	12.75 (309) 0
OCT 04	12.05 (124) 39	12.00 (130) 21	12.00 (154) 33	11.90 (163) 14	12.00 (163) 0	12.00 (163) 0	12.00 (163) 0	12.00 (163) 0	12.00 (173) 16	11.98 (173) 0
NOV 04	11.80 (66) 34	11.80 (78) 18	11.79 (110) 32	11.39 (128) 21	11.79 (128) 0	11.79 (128) 0	11.79 (128) 0	11.79 (128) 0	11.79 (138) 16	11.78 (138) 0
DEC 04	11.75 (64) 20	11.60 (68) 7	11.60 (78) 10	11.30 (79) 3	11.30 (79) 0	11.30 (79) 0	11.30 (79) 0	11.30 (79) 0	11.30 (89) 16	11.30 (89) 0
CME - (CLASS IV) MILK FUTURES -- Dollars per cwt.										
AUG 03	10.45 (26) 0	10.45 (26) 0	10.45 (26) 0	10.45 (26) 0	10.45 (26) 0	10.45 (26) 0	10.35 (26) 0	10.35 (26) 0	10.35 (26) 0	10.35 (26) 0
SEP 03	10.65 (20) 0	10.65 (20) 0	10.65 (20) 0	10.65 (20) 0	10.65 (20) 0	10.65 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0
OCT 03	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36(3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0
CME - BUTTER FUTURES -- Cents per pound										
SEP 03	116.00 (503) 10	116.00 (488) 20	115.75 (488) 0	115.50 (480) 10	114.75 (467) 13	114.75 (465) 2	114.50 (457) 15	113.50 (433) 33	113.50 (418) 17	112.75 (371) 59
OCT 03	117.50 (488) 6	117.25 (476) 40	117.25 (479) 4	116.75 (477) 4	116.00 (475) 4	115.50 (474) 1	115.75 (480) 9	115.00 (483) 3	115.00 (486) 14	114.50 (501) 28
DEC 03	118.50 (465) 3	119.00 (464) 0	119.00 (464) 0	119.00 (461) 11	118.25 (457) 15	118.00 (457) 0	118.00 (463) 16	117.50 (465) 2	118.00 (472) 7	117.50 (472) 11
MAR 04	128.50 (85) 0	128.50 (85) 0	128.50 (87) 2	128.50 (87) 0	128.50 (87) 0	128.50 (87) 0	128.50 (93) 6	127.50 (93) 2	128.50 (100) 9	128.50 (100) 0

^{1/} At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered August 18 - 29, 2003

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Hot and dry weather conditions continue to plague much of Europe. In recent days, temperatures have moderated somewhat, but remain higher than usual for this time of the season. Rainfall also remains limited and when moisture does fall, it is very spotty and not enough. Some contacts feel that it would take two to three weeks of steady rainfall to replenish depleted volumes. The heat and lack of moisture are severely impacting feed stocks. Pastures are basically brown and offer very little for the grazing dairy herd. Some farmers are harvesting crops earlier than they should, gaining some feed quality versus waiting and realizing further declines. Adverse weather related feed quality and supply conditions are causing some milk producers to look at their dairy operation and question if they should downsize versus purchase additional feed for winter needs. Some feel that if they do not downsize, they will probably greatly reduce concentrate feeding during upcoming winter months. International buyer interest remains slow, although some buyer interest for small lot, immediate shipment, volumes is occurring. Overall supplies are limited and prices are starting to increase. Many European traders feel that they have a window of about one more month of trading opportunity before Oceania competition develops. Earlier in the month, intervention of skim milk powder attained the 109,000 mt level and a tendering system was introduced for additional offerings. Following the EU Management Committee meeting on August 28, reports indicated that offers of 100 mt were rejected due to price. Intervention is now closed. Also, the Commission sold back 1,899 mt of 16 month or older powder to animal feed buyers at prices ranging 201.52 - 204.5 Euros per ton. They also reduced export subsidies for most all dairy products: butter, -3.8% to 178 euros; skim milk powder, -5.0% to 57; full cream powder, -4.3% to 98; and various cheeses by 9 - 10%.

BUTTER/BUTTEROIL: European butter markets are firm with prices unchanged to higher. Stocks of butter are tight, causing buyers and handlers to look to intervention and other inventory programs for needs. Russia is in the market looking for butterfat for upcoming winter needs. The extent of this buyer interest is unclear, although handlers and traders feel that it will continue into the fall. Middle East buyers are also in the market looking for butterfat and delivery before Ramadan begins.

82% BUTTERFAT: 1,450 - 1,500
99% BUTTERFAT: 1,700 - 1,750

SKIM MILK POWDER (SMP): Skim milk powder markets are firm with prices unchanged to higher. Milk production is declining seasonally in Europe, enhanced in some areas by recent hot temperatures and drought conditions. Milk available to butter/powder operations is lighter than usual due to the strong demand for milk for liquid needs. Intervention is full and a tendering system for additional offerings was opened at mid month. Offers of 100 mt under the tendering system were rejected by the Commission due to price. Intervention is now closed.

1.25% BUTTERFAT: 1,685 - 1,750

WHOLE MILK POWDER (WMP): European whole milk powder markets are firm with prices unchanged to higher. Stocks are in close balance to short. European traders and handlers feel that they have about a month of opportunity to sell product before Oceania supplies become competitive.

26% BUTTERFAT: 1,750 - 1,800

SWEET WHEY POWDER: Whey powder markets are firm with prices generally higher. Traders and handlers were quite surprised at the very quick turnaround of this market. They feel that some factors contributing to this firmness are: increased demand, changes to formulas, and lower cheese production. Although stocks have been readily available up to this point, recent developments have greatly tightened stocks.

NONHYGROSCOPIC: 375 - 450

OVERVIEW: EASTERN EUROPE: Warm temperatures continue to be reported out of Eastern Europe, but not to the extent of the West. Lack of moisture is also very common in Eastern Europe. Milk production is declining seasonally with instances of sharper than usual declines being reported. Milk handlers attribute the sharper declines to adverse temperature and moisture conditions. Milk volumes are declining to the point that some traders and handlers are concerned about meeting contracted dairy product requirements. Russia is in the market looking for additional butterfat for upcoming winter needs. Although the full extent of this buyer interest is unclear, many feel that it will continue into the fall.

OCEANIA

OCEANIA OVERVIEW: The new milk production season continues to develop in Oceania. Production estimates for the new season remain unchanged from previous reports with New Zealand projecting a 1 - 2% increase over last season, while Australian estimates are steady to slightly higher than last year. Weather conditions are quiet favorable for early spring. Moisture is falling in many of the major dairy areas of New Zealand and Australia. Although rainfall is occurring, most milk producers and handlers indicate that additional volumes are needed to replenish depleted reserves. Grass is greening in New Zealand which is about 2 - 3 weeks ahead of Australia. Orders continue to be filled from inventoried stocks. Most traders and shippers feel that they will have adequate volumes of product to fill existing orders with minimal volumes, if any at all, available for spot buyer needs. At this point, international buyer interest is light and unaggressive. Most trading activity continues to center around shipments to regular and ongoing customers. Oceania handlers and traders are negotiating with these customers for upcoming needs. In many instances, much of these negotiations have been finalized for, at least, first half needs. At this point, traders and handlers report that they are not seeing much unexpected buyer interest or demand. Some traders are reporting that Russian buyer interest is somewhat more active than last year. Also, Middle East buyer demand is improving as buyers secure products prior to Ramadan.

BUTTER: Oceania butter markets and prices are steady. Orders continue to be filled from inventoried stocks. Traders and handlers feel that they will have sufficient volumes of storage butter to meet commitments prior to new production. Milk production is starting to increase as the new season slowly develops. At this point, New Zealand's milk production patterns are running about 2 - 3 weeks ahead of Australia.

82% BUTTERFAT: 1,300 - 1,400

CHEDDAR CHEESE: Cheese markets and prices are generally unchanged, although a firm undertone prevails. Stocks of cheese are adequate to maintain steady shipment schedules. Cheese producers, handlers, and traders are preparing for the upcoming milk production season which is just getting underway in the Oceania region. Sales negotiations for new cheese production are occurring and indications are that no surprises or major changes in demand are being uncovered at this time.

39% MAXIMUM MOISTURE: 1,775 - 2,000

SKIM MILK POWDER (SMP): Skim milk powder markets are steady at unchanged prices. Stocks are reported to be sufficient to fill existing orders with minimal volumes available for spot buyer interest. Most handlers indicate that their stock situation will be basically exhausted once new production begins to enter warehouses in the next month or so. Commitments continue to be negotiated for new production with most of these contracts following last year trends.

1.25% BUTTERFAT: 1,650 - 1,750

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are generally steady at unchanged prices. Shipments to regular and ongoing customers continue to occur from inventoried stocks. Handlers indicate that stocks should be sufficient to finalize shipments under current contracts before new production begins. Milk production is slowly increasing in the region with peak milk production projected to occur late in October for New Zealand producers and into November for Australian producers.

26% BUTTERFAT: 1,650 - 1,750

Exchange rates for selected foreign currencies: AUGUST 25, 2003

.7136 Canadian Dollar	.0218 Indian Rupee
.3405 Argentina Peso	.5818 New Zealand Dollar
.0919 Mexican Peso	.6503 Australian Dollar
.2502 Polish Zloty	.0085 Japanese Yen
	1.0874 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0919)= 10.8814. That is 1 US Dollar equals 10.8814 Mexican Pesos.

Source: "Wall Street Journal"

FEDERAL MILK ORDER ADVANCE PRICES, SEPTEMBER

Class I Base Price - Under the Federal milk order pricing system, the Class I base price for September 2003 is \$13.71 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$9.51 and the advanced butterfat pricing factor is \$1.2944. A Class I differential from each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$5.99. Thus, the Class II skim milk price for September is \$6.69 per cwt., and the Class II nonfat solids price is \$0.7433. **Product Price Averages** - The two-week product price average for September are, butter \$1.1937, nonfat dry milk \$0.8118, cheese \$1.5396, and dry whey \$0.1599.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <u>1/</u> <u>2/</u>				
Federal Milk Order Marketing Area <u>3/</u>	Order Number	September 2003		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <u>4/</u>	001	16.96	12.76	1.3269
Appalachian (Charlotte) <u>5/</u>	005	16.81	12.61	1.3254
Southeast (Atlanta) <u>6/</u>	007	16.81	12.61	1.3254
Florida (Tampa) <u>7/</u>	006	17.71	13.51	1.3344
Midwest (Cleveland) <u>8/</u>	033	15.71	11.51	1.3144
Upper Midwest (Chicago) <u>9/</u>	030	15.51	11.31	1.3124
Central (Kansas City) <u>10/</u>	032	15.71	11.51	1.3144
Southwest (Dallas) <u>11/</u>	126	16.71	12.51	1.3244
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	16.06	11.86	1.3179
Western (Salt Lake City) <u>13/</u>	135	15.61	11.41	1.3134
Pacific Northwest (Seattle) <u>14/</u>	124	15.61	11.41	1.3134
All-Market Average		16.29	12.09	1.3202

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets. 4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. 7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. 8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. 9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. 10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver plus \$0.55. 11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. 12/ Class I price at Las Vegas is minus \$0.35. 13/ Class I price at Boise is minus \$0.30. 14/ Class I prices at other cities are: Portland, same; and Spokane, same.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE 1/

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI 2/	Pct. Chg.3/	CPI 2/	Pct. Chg.3/	CPI 2/	Pct. Chg.3/	CPI 2/	Pct. Chg.3/	CPI 2/	Pct. Chg.3/	CPI 2/	Pct. Chg.3/
MAY 2003	178.8	1.7	165.4	-2.1	158.8	-2.1	166.9	-3.1	146.8	-10.6	164.7	1.4
JUN 2003	179.6	2.2	163.9	-2.4	158.3	-2.6	167.7	-1.1	142.2	-7.5	167.2	3.3
JUL 2003	179.7	2.1	164.7	-1.7	158.5	-1.6	167.9	-1.1	144.5	-6.3	168.2	3.6
U.S. City Average Retail Prices												
Month	Whole Milk 4/		Butter 5/		Process Cheese 6/		Natural Cheese 7/		Ice Cream 8/			
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Dollars											
MAY	2.685	2.782	2.726	3.215	3.589	3.868	3.806	4.203	3.739	3.800		
JUNE	2.676	2.768	2.658	3.084	3.769	3.856	3.796	4.311	3.806	3.752		
JULY	2.708	2.747	2.697	3.095	3.688	3.783	3.736	4.292	3.965	3.883		

1/ "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. 2/ The standard reference base period for these indexes is 1982-1984 = 100. 3/ Percent change over previous year. 4/ Per gallon. 5/ Per pound. Grade AA, salted, stick butter. 6/ Per pound, any size and type of package. 7/ Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). 8/ Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—APRIL-JUNE AND YEAR-TO-DATE 2002-03 1/

Item	Apr.-Jun. 2002	Percent change 2/	Apr.-Jun. 2003	Percent change 2/	Jan.-Jun. 2002	Percent change 2/	Jan.-Jun. 2003	Percent change 2/
	Million Pounds							
MILK								
Production	44,015	3.0	43,895	-0.3	86,412	2.9	86,834	0.5
Marketings	43,731	3.1	43,627	-0.2	85,847	3.0	86,301	0.5
Beginning Commercial Stocks 3/	9,605	14.3	12,225	27.3	7,041	3.0	9,891	40.5
Imports 3/	1,255	-23.5	1,186	-5.5	2,446	-11.5	2,409	-1.5
Total Supply 4/	54,591	4.1	57,038	4.5	95,334	2.5	98,601	3.4
Ending Commercial Stocks 3/	12,360	24.2	13,443	8.8	12,360	24.2	13,443	8.8
Net Removals 3/	66	120.0	591	795.5	130	32.7	970	646.2
Commercial Disappearance 4/	42,165	-0.7	43,004	2.0	82,844	-0.1	84,188	1.6
SELECTED PRODUCTS 5/								
Butter	263.4	-5.1	280.7	6.6	577.3	2.1	584.9	1.3
American Cheese	938.9	3.6	912.6	-2.8	1,831.2	0.9	1,807.8	-1.3
Other Cheese	1,290.9	1.9	1,322.0	2.4	2,546.0	2.3	2,582.3	1.4
Nonfat Dry Milk	167.7	-26.3	165.0	-1.6	309.1	-26.5	292.1	-5.5
Fluid Milk Products 6/	13,460.0	0.3	13,477.1	-0.1	27,308.5	-0.4	27,425.4	0.4

1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. 2/ From year earlier on a daily average basis. 3/ Milk-equivalent, milkfat basis. 4/ Totals may not add because of rounding. 5/ Commercial disappearance in product pounds.

6/ Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, SEPTEMBER 2003, WITH COMPARISONS ^{1/}												
CITY	September 2001			September 2002			August 2003			September 2003		
	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference
Dollars Per Hundredweight, 3.5% Butterfat												
Atlanta, GA	19.44	18.66	0.78	15.49	13.56	1.93	16.00	14.07	1.93	18.24	16.81	1.43
Baltimore, MD	20.01	18.56	1.45	15.21	13.46	1.75	15.82	13.97	1.85	18.56	16.71	1.85
Boise, ID ^{2/}	17.16	17.16	0.00	12.36	12.06	0.30	12.87	12.57	0.30	15.61	15.31	0.30
Boston, MA	20.41	18.81	1.60	15.11	13.71	1.40	15.92	14.22	1.70	18.66	16.96	1.70
Charlotte, NC	19.44	18.66	0.78	15.49	13.56	1.93	16.00	14.07	1.93	18.24	16.81	1.43
Chicago, IL	19.33	17.36	1.97	14.35	12.26	2.09	15.04	12.77	2.27	17.81	15.51	2.30
Cincinnati, OH	19.58	17.76	1.82	14.27	12.66	1.61	14.74	13.17	1.57	3/	15.91	
Cleveland, OH	19.38	17.56	1.82	14.07	12.46	1.61	14.54	12.97	1.57	3/	15.71	
Dallas, TX	18.68	18.56	0.12	14.86	13.46	1.40	15.07	13.97	1.10	17.61	16.71	0.90
Denver, CO	18.81	18.11	0.70	13.86	13.01	0.85	14.37	13.52	0.85	17.11	16.26	0.85
Des Moines, IA	18.57	17.36	1.21	13.63	12.26	1.37	14.15	12.77	1.38	16.90	15.51	1.39
Detroit, MI	18.42	17.36	1.06	13.51	12.26	1.25	13.98	12.77	1.21	3/	15.51	
Hartford, CT	20.31	18.71	1.60	15.01	13.61	1.40	15.82	14.12	1.70	18.56	16.86	1.70
Houston, TX	19.28	19.16	0.12	15.46	14.06	1.40	15.67	14.57	1.10	18.21	17.31	0.90
Indianapolis, IN	19.38	17.56	1.82	14.07	12.46	1.61	14.54	12.97	1.57	3/	15.71	
Kansas City, MO	18.52	17.56	0.96	14.22	12.46	1.76	14.74	12.97	1.77	16.99	15.71	1.28
Louisville, KY	18.76	17.76	1.00	13.76	12.66	1.10	14.59	13.17	1.42	17.33	15.91	1.42
Memphis, TN	18.94	18.36	0.58	14.99	13.26	1.73	15.50	13.77	1.73	17.74	16.51	1.23
Miami, FL	21.95	19.86	2.09	18.00	14.76	3.24	18.27	15.27	3.00	20.51	18.01	2.50
Milwaukee, WI	19.43	17.31	2.12	14.45	12.21	2.24	15.14	12.72	2.42	17.91	15.46	2.45
Minneapolis, MN	18.79	17.26	1.53	13.80	12.16	1.64	14.49	12.67	1.82	17.26	15.41	1.85
New Orleans, LA	19.59	19.16	0.43	15.64	14.06	1.58	16.15	14.57	1.58	18.39	17.31	1.08
Oklahoma City, OK	18.96	18.16	0.80	14.71	13.06	1.65	15.22	13.57	1.65	17.21	16.31	0.90
Omaha, NE	18.62	17.41	1.21	13.68	12.31	1.37	14.20	12.82	1.38	16.95	15.56	1.39
Philadelphia, PA	20.18	18.61	1.57	15.38	13.51	1.87	15.87	14.02	1.85	18.61	16.76	1.85
Phoenix, AZ	18.06	17.91	0.15	12.96	12.81	0.15	13.47	13.32	0.15	16.21	16.06	0.15
Pittsburgh, PA	19.56	17.66	1.90	14.56	12.56	2.00	15.07	13.07	2.00	3/	15.81	
St. Louis, MO	19.27	17.56	1.71	13.71	12.46	1.25	14.22	12.97	1.25	16.96	15.71	1.25
Salt Lake City, UT	17.71	17.46	0.25	12.66	12.36	0.30	13.17	12.87	0.30	15.91	15.61	0.30
Seattle, WA	17.88	17.46	0.42	12.78	12.36	0.42	13.29	12.87	0.42	16.03	15.61	0.42
Springfield, MO	18.56	17.76	0.80	14.31	12.66	1.65	14.82	13.17	1.65	16.81	15.91	0.90
Washington, DC	20.01	18.56	1.45	15.21	13.46	1.75	15.82	13.97	1.85	18.56	16.71	1.85
Simple Average	19.16	18.04	1.12	14.42	12.94	1.48	14.96	13.45	1.51	17.59	16.28	1.31

^{1/} This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

^{2/} The information for this city is being reported now; the information for Spokane, WA has been discontinued.

^{3/} The announced cooperative Class I price for these cities was not available at press time. These cities have been excluded from the Simple Average Federal order Class I price.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 25 - 29, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 08/22/03	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	10,133,351	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	1,313,280	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	11,446,631	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	3,840,106	2,672,521	-0-	-0-
Barrel	-0-	58,091	-58,091	5,487,615	1,597,502	-0-	-0-
Process	-0-	-0-	-0-	31,838,400	2,138,400	-0-	-0-
TOTAL	-0-	58,091	-58,091	41,166,121	6,408,423	-0-	-0-
NONFAT DRY MILK							
Nonfortified	7,612,152	212,130	7,400,022	598,553,096	634,470,175	1,208,201,000	1,158,414,000
Fortified	-0-	-0-	-0-	596,814	-0-	46,391,000	46,391,000
TOTAL	7,612,152	212,130	7,400,022	599,149,910	634,470,175	1,254,592,000	1,204,805,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 25 - 29, 2003 =	1.1	85.6	COMPARABLE PERIOD IN 2002 =	10.1	120.8
CUMULATIVE SINCE OCTOBER 1, 2002 =	761.3	7,383.0	CUMULATIVE SAME PERIOD LAST YEAR =	198.7	7,448.7
CUMULATIVE JANUARY 1 - AUGUST 29, 2003 =	687.2	6,117.4	COMPARABLE CALENDAR YEAR 2002 =	181.8	6,552.8

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 25 - 29, 2003 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-58,091	-0-	7,400,022	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/02 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
CENTRAL	-0-	-0-	32,049,972	2,138,400	24,411,395	35,590,570	39.6	13.9
WEST	11,446,631	-0-	9,116,149	4,270,023	537,168,719	561,517,204	56.3	82.0
EAST	-0-	-0-	-0-	-0-	37,569,796	37,362,401	1.1	4.1
TOTAL	11,446,631	-0-	41,166,121	6,408,423	599,149,910	634,470,175	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/09/03 & Comparable Week 2002

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2003-Dairy	0.2	0.8	6.7	4.9	20.3	3.0	0.4	0.9	13.3	2.3	52.7	1,718.8	46.8	47.9
2002-Dairy	0.2	0.8	6.0	4.4	18.2	2.2	0.3	0.8	11.9	2.1	46.9	1,535.9	46.1	46.0
2003-All cows	0.2	1.0	8.9	13.7	31.8	16.4	15.6	3.2	15.9	5.6	112.5	3,591.8		
2002-All cows	0.2	1.0	8.1	12.2	28.7	13.2	14.1	3.1	14.7	6.6	101.8	3,342.4		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MT, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10-- ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

FEDERAL MILK ORDER CLASS PRICES FOR 2003 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	10.56	10.23	9.81	9.64	9.71	9.74	9.77	10.97	13.71			
II	11.29	10.66	10.54	10.44	10.43	10.46	10.63					
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78					
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95					

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm